



THE CHILDREN'S HEALTH INSURANCE PROGRAM REAUTHORIZATION ACT: FREQUENTLY ASKED QUESTIONS

The Children's Health Insurance Program provides health insurance for children living in families not poor enough for Medicaid, but still unable to afford private health insurance. In 2007, Senate Finance Committee Chairman Max Baucus (D-Mont.) and a bipartisan coalition of Senators crafted and twice passed bills to renew and improve the program, which were subsequently vetoed by President George W. Bush. This year, Senator Baucus again crafted and passed out of the Finance Committee legislation to renew the program. Following are frequently asked questions about the CHIP Reauthorization Act of 2009:

Effects of the CHIP Reauthorization Act

- Q:** *How many additional low-income, uninsured children will be covered under this plan?*
- A:** The Children's Health Insurance Program Reauthorization Act protects coverage for all 6.7 million children in the program. The bill will also provide 4.1 million more low-income, uninsured children with health coverage.
- Q:** *Why not just continue current law and wait for larger health reform?*
- A:** The Children's Health Insurance Program Reauthorization Act of 2009 offers health care now to an estimated 4.1 million low-income, uninsured American children are eligible for public health programs but not enrolled. They should not have to go without the doctor's visits and medicines they need to stay healthy until comprehensive reform is done. This legislation will provide these children with access to health care through CHIP and Medicaid now. Proper health care gives children help to prevent costly life-long health problems and to create brighter futures.

Income Levels for Eligibility

- Q:** *Does the bill restrict allowances for states wishing to set higher income eligibility levels for CHIP?*
- A:** Yes. As under current law, states will still be allowed flexibility to set eligibility levels, and the target eligibility level for children remains as Congress intended: 200 percent of the Federal poverty level. But under this bill, any state seeking to offer new coverage to children in families above 300 percent of the Federal poverty level will receive a lower Medicaid funding match rate for that coverage. The target eligibility level for children remains as Congress intended: 200% of the Federal poverty level.
- Q:** *Would this bill give CHIP coverage to children in families making \$80,000 per year?*
- A:** No. CHIP has always been a Federal-state partnership, with states making determinations as to eligibility levels. Congress does not set income eligibility levels for CHIP.

The state of New York has a state plan amendment that would allow coverage of children in families at 400 percent of the Federal poverty level, but nothing in this legislation moves that plan forward. New York would have to apply and receive approval from the Department of Health and Human Services.

Offsets

Q: *Doesn't this bill use a budget "gimmick" to hide unpaid costs beginning in 2014?*

A: This bill is a four and a half year reauthorization proposal, and the revenues in the bill more than pay for the spending in the period. After the four and a half year reauthorization period, the budget rules set baseline funding for five additional years based on funding in the last year of authorization (2013). The final year amount is lowered in this bill to provide an appropriate baseline of funding going forward. The authors of this bill fully expect that Congress and the President will pass health care reform legislation within that time period and necessarily revisit CHIP policy. Congress must address the bigger issues of the 46 million uninsured Americans of all ages and develop proposals to rein in rising health costs.

Q: *Won't the funding that's estimated for CHIP disappear as the tobacco tax lowers smoking rates in the U.S.?*

A: No. The Joint Committee on Taxation has taken into account expected declines in tobacco use – a health benefit – in figuring the revenue effect of the tobacco tax in this bill. Even with that decline considered, the revenues in the bill more than pay for this expansion of health care to low-income, uninsured children. Savings are also found in lower health care costs as smoking declines.

Public Coverage, Private Coverage, or Both?

Q: *Does this bill take any steps to reduce the number of people who drop private coverage to enroll in public health programs?*

A: Yes. First of all, the bill creates new options for states to subsidize employer-sponsored health coverage as an option rather than enrolling in a CHIP plan. Second, the bill directs incentive payments for states toward enrollment of the lowest-income children in Medicaid, not enrollment of children in CHIP. Medicaid children, with lower family incomes, are least likely to have access to private coverage.

Any option to reduce the number of uninsured inevitably results in some people who previously had health coverage choosing the public program instead. This is called "crowd-out." Crowd-out occurred with the implementation of the new Medicare prescription drug benefit. CBO estimates that crowd-out in CHIP is lower – and Congress was aware of the issue when CHIP was created on a bipartisan basis in 1997.

Q: *Is this the first step toward government-run, single-payer public health care?*

A: Absolutely not. CHIP is a leader in combining public and private solutions to get health coverage to uninsured children. The CHIP Reauthorization Act encourages a mix of public and private solutions to cover kids, and limits the scope of the program to the low-income, uninsured children Congress meant to cover when the program was created in 1997.

Adults

Q: *What adults will remain eligible for CHIP coverage?*

A: Any states with existing HHS waivers to cover low-income parents of CHIP kids and some childless adults will have that coverage transitioned to Medicaid. Adult coverage is curbed as follows:

- This bill prohibits new HHS waivers for CHIP coverage of childless adults and low-income parents.
- States covering childless adults must transition all childless adults out of CHIP in 2009.
- Federal funding for coverage of low-income parents in states with existing waivers will be reduced after a transition period of 32 months.

Q: *What are state options for coverage of pregnant women?*

A: States will have an additional option to ensure vital prenatal care by covering pregnant women as a state option as well as maintaining the options to cover them through a state waiver or through regulation.